U.S. Civil Society Coalition for African Trade and Investment

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Over the last decade, civil society organizations have helped to ensure that the African Growth and Opportunity Act (AGOA) is as successful and as broadly beneficial to Africa as originally intended. The U.S. Civil Society Coalition for African Trade and Investment organized a two-day program that brought together American and African experts, including government, private sector and civil society representatives at the U.S. embassies in Malawi and Nigeria via direct video connections, to discuss critical issues involving international trade. We examined such important matters as: the proper role of civil society in trade, revitalizing African agriculture, removing regional transportation, supply chain and policy obstacles to trade, determining the benefit of AGOA to African societies, considering ways to overcome the challenges to Africa's textile and apparel industry and creating a successful model for capacity building for African export producers.

U.S. civil society has been involved in advocating for the broadest possible dispersion of benefits of AGOA since it was first introduced as legislation in the U.S. Congress in the mid-1990s and signed into law in 2000. American civil society organizations have successfully provided background on the potential of AGOA to legislators and executive branch officials through papers and Congressional testimony; trained African government officials, business people and civil society representatives for the past decade, and conducted continuing research on the vital elements of trade during this period. The Coalition believes that collaboration among government, business and civil society is the best means of making AGOA successful. Some elements of government and business wholeheartedly agree with this collaboration, while other elements remain either skeptical or indifferent.

U.S. civil society has reached out to our African counterparts over these years to ensure that we are better informed about the situation on the ground and to create a continuing linkage to enable more effective advocacy here in America and also in the AGOA-eligible countries in Africa. The creation of the AGOA Civil Society Network in 2003 provided the bridge to make that happen. Since that time, an increasing number of African civil society organizations have provided valuable information to inform advocacy efforts in America and in Africa. What African civil society too often finds is that government in Africa is not widely supportive of the inclusion of civil society in the development and refinement of trade policy. The African business sector, which is also locked out of policy discussions on international trade, does not yet widely accept the benefit of an alliance with African civil society on trade-related matters.

Petroleum and mining account for an overwhelming percentage of AGOA trade, topping 90% of commercial traffic between the United States and the participating nations of Africa. Nevertheless, U.S.-Africa agriculture trade has expanded from US$508 million in 2000 to US$770 million in 2009 and shows tremendous potential to expand more if supportive policies and programs were put in place. For example, current U.S. policy maintains tariff rate quotas (TRQs) on key agricultural products, including sugar, tobacco and peanuts, and thereby limits trade in products that hold immediate trade potential for a number of countries. While many African countries receive very little or no market access under this system, other countries have quotas that remain unused from year to year. Reallocating existing unused quota shares to African countries would be an immediate-term solution to this issue and, as an example of Europe's policy reforms for these products demonstrates, could result in immediate job creation for some of Africa's poorest countries.

Modest expansion in agricultural trade also has come despite the fact that there is confusion over which U.S. government agency to consult in gaining the information necessary to navigate U.S. government regulations concerning agriculture, horticulture and aquaculture trade. The Animal and Plant Health Inspection Service, the Food and Drug Administration, the Environmental Protection Agency, the Agriculture Marketing Service, the Foreign Agriculture Service and other agencies all play a vital role in regulating trade in food and live products, but their roles are not well understood by those who need to know – both in Africa and here in the United States – and their functions are often not well coordinated. Moreover, African governments and producers too often fail to press for responses from the agencies with which they do come in contact when continuing pressure may be needed to push for the finalization of testing results and certification requests that are among hundreds under consideration.

Furthermore, in a complex market such as the United States, African agricultural producers have not targeted their efforts to the correct market segments in the U.S. by creating a realistic business and marketing plan. Additionally, private sector and government support for agricultural exports are considered vital to successfully surmounting current obstacles such as a lack of clean water, consistent power, viable road systems, international air and sea linkages and cold storage facilities.

Political will is critical to ensuring that transportation obstacles are overcome. While public-private partnerships are often proposed as a solution, it is government's role to create and maintain rural roads to connect to major transportation systems. In the broader context, creating road systems connecting land-locked countries to ports is a regional issue being addressed by the African Development Corridors. The Regional Economic Communities can help facilitate through policy changes and other means, and the international financial institutions and donors should prioritize and better coordinate support. There is estimated to be as much as US$50 billion in regional trade within Africa that is being frustrated by this lack of regional transportation linkages.

Especially for agriculture, horticulture and aquaculture products, the cold chain for post-harvest products from processing through transportation through warehousing through retail to the consumer's home must be established and maintained to enable such trade to be fully successful. Low-technology, but innovative, techniques have been developed to prevent spoilage of goods, including the increasing use of shade, field packing of products and the use of such measures as zero evaporation cooling chambers to remove heat through the evaporation of water.

Unfortunately, the benefits of AGOA have not been as widely experienced by Africans as was intended. The influx of Asian companies into Africa to take advantage of quota-free, duty-free treatment under this trade process has led some to call the African Growth and Opportunity Act the Asian Growth and Opportunity Act. Foreign companies have created infrastructure, but have not provided significant number of jobs to build it and do not transfer the technology necessary to maintain it. Also, the foreign workers who build the infrastructure too often become unfair competition for local vendors because of the built-in advantage of selling subsidized foreign products. Meanwhile, higher revenues from international trade have not translated into more government investment in infrastructure, health or education.

When AGOA was first conceived, there were unprogressive trade practices by African governments, such as high tariffs on the import of necessary technology and inputs and poor labor standards. Still, many civil society observers felt that AGOA's demand for reform limited African governments' ability to take protective measures when warranted by times of economic crisis. As the United States has been forced by global economic circumstances to assume control of private companies and intervene in the financial market to save it, Africans rightfully question whether they are being held to a reasonable standard in a time of worldwide crisis.

In the original concept of AGOA, the textile and apparel industry was seen as the means of establishing the industrial sector in Africa as it had for countries during the Industrial Revolution in the 1700s. However, Africa's textile and apparel trade with the United States has declined from US$1.3 billion in 2007 to US$334 million in 2009. Textile and apparel trade accounts for less than 2% of AGOA trade today. This is largely due to international events such as the expiration in 2005 of the Multi-Fiber Arrangement that had heavily regulated international textile and apparel trade through a global quota system to prevent market flooding by low-wage producers.

Still, the African textile and apparel industry long ago realized it must unite to provide a common front and greater economies of scale in competition with China, India, Bangladesh and other growing world textile and apparel producers. The African Cotton and Textile Industries Federation is currently creating brand identity for African clothing products to stimulate buyer interest and provide consistent standards for African textile and apparel products. This organization has been instrumental in providing information to U.S. advocates to explain to the U.S. government the harm that would be done in extending at this point duty-free, quota-free treatment for Asian textile and apparel producers who already out-produce Africa.

Capacity building for African entrepreneurs has long been seen as critical if AGOA's benefits are to be widely enjoyed on the continent. Such empowerment efforts must create sustainable enterprises managed by Africans and not expatriates. Ongoing training must be provided by African private sector or civil society organizations to the extent feasible. To do otherwise devalues the abilities of those who must carry on long after foreign grants expire. This model is being exemplified by the U.S. African Development Foundation (USADF).

USADF, on an annual budget of about US$30 million, provides about US$25 million in grants to local groups seeking to become proficient in production and hopefully to become successful exporters. Currently, US$60 million has been extended in grants to about 400 groups in 20 African countries. USADF grants have enabled the creation of US$250 million in new economic activity that has benefitted more than 700,000 African people. Technical assistance, provided by local organizations, provides help needed for enterprise development and subsequent expansion. Grantees are assisted for at least two years and as long as seven years in this process.

In this year when we celebrate the 50th anniversary of independence for 17 of Africa's countries, we must acknowledge that trade has not been as beneficial to these and other nations on the continent as anticipated. At independence, Africa's share of global trade was 3%; it is now about 2%. When Congressman Jim McDermott introduced the original AGOA bill, he said it was in response to a lack of U.S. government trade policy toward Africa. Since the original bill was approved, Congressman McDermott, and other Congressional supporters, such as Senator Benjamin Cardin and Congressman Ed Royce, have continued to provide refinements to the U.S.-Africa trade process. It is hoped that these changes will allow African producers to overcome existing roadblocks and enable them to take advantage of opportunities, such as the current deficit of seafood supplies in the United State due to the effects of the oil spill in the Gulf of Mexico.

Recommendations

In order to fulfill AGOA's goals and aspirations, we recommend the following actions:

- Civil society, government and business in the United States and in Africa must collaborate more effectively in providing information to entrepreneurs and the general public on the specific elements of AGOA trade rules and processes, such as sanitary/phyto-sanitary regulations, as well as the benefits that should accrue from greater income from international trade.

- Governments and their business sectors in the United States and Africa should work with civil society for the successful advancement of international trade and the welfare of all our citizens.

- A reexamination of AGOA's requirements should be undertaken to ensure that reforms for the benefit of African societies can be implemented and that African governments have the latitude to protect their economies through reasonable means and provide for a more even playing field for all trading partners.

- Greater coordination must be established among African Regional Economic Communities, international financial institutions, bilateral donors and African producer groups to build viable, integrated transportation systems, including the Development Corridors, which will facilitate more diverse trade among African countries and with the rest of the world.

- African governments and Regional Economic Communities should determine the extent to which intra-African trade or extra-African trade in products and local or international investment are more beneficial to their societies in the long run and establish a mix of trade destinations and investment sources as they deem appropriate.

- Capacity building efforts must not only target the areas of need on the continent, but must allow to the fullest extent possible local involvement in the management of entrepreneur training and technical assistance to better guarantee effectiveness and sustainability.

- High and low technology solutions to obstacles to successful international trade should be devised and shared widely to allow African producers to more efficiently market the goods they produce.